Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

SECRET

PAGE 01 STATE 022684

70
ORIGIN ARA-10

INFO OCT-01 ISO-00 SS-15 EB-07 INR-07 SP-02 /042 R

DRAFTED BY ARA/BC/C:RSDRISCOLL/WLOWENTHAL:MG
APPROVED BY ARA:HARYAN
ARA:AFISHLOW (DRAFT)
ARA/PLC:RJULOOMFIELD (DRAFT)
---------- 095179
P 292321Z JAN 76
FM SECSTATE WASHDC
TO AMEMBASSY SANTIAGO PRIORITY

S E C R E T STATE 022684

E.O. 11652:GDS

TAGS:CI, ECON, EFIN, EAID, PINS

SUBJECT: POLITICAL IMPLICATIONS OF A WORSENING
ECONOMIC SITUATION

FOR THE AMBASSADOR FROM ACTING ASSISTANT SECRETARY RYAN

1. I THINK WE SHOULD AGAIN ADDRESS OURSELVES TO THE POSSIBLE POLITICAL IMPLICATIONS OF A CONTINUED BAD OR WORSENING ECONOMIC SITUATION. WHILE CAUAS HAS STATED PUBLICLY THAT CHILE WILL NOT ASK TO RESCHEDULE HER EXTERNAL DEBT THIS YEAR, WE DO NOT SEE HOW THE GOC CAN HOLD TO THIS POLICY WITHOUT FURTHER DRASTIC REDUCTIONS IN IMPORTS. SUCH A REDUCTION COULD CAUSE A FURTHER DECLINE IN ECONOMIC ACTIVITY WITH MORE UNEMPLOYMENT AND CONTINUING INFLATION.

2. THEREFORE, I WOULD APPRECIATE YOUR CANDID ASSESSMENT OF WHAT KIND OF YEAR 1976 MIGHT BE FOR CHILE. I LEAVE THE "WORST CASE" SCENARIO TO YOUR JUDGEMENT BUT WE DO WANT YOUR VIEWS OF WHAT MIGHT BE THE LIKELY SCENARIOS, THE LIKELY PLAYERS AND THE IMPLICATIONS FOR U.S. POLICY,

SECRET

SECRET

PAGE 02 STATE 022684

3. FYI: FOR YOUR ANALYSIS WE PROVIDE THE FOLLOWING

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

INFORMATION TO USE AS ASSUMPTIONS ON WHICH TO BASE YOUR ASSESSMENTS:

A) IMF IS LIKELY TO PROVIDE $95 MILLION IN STAND-BY FACILITIES AND MIGHT PROVIDE UP TO $50 MILLION FROM THE PETROLEUM FACILITY OR COMPENSATORY FINANCING.

B) USG BILATERAL ASSISTANCE (PL-480, AID, HIG) WILL BE $90 MILLION, PLUS $8 MILLION FOR PL-480, TITLE II.

C) PARIS CLUB NOT LIKELY TO BE CONVENED THIS YEAR. AMENDMENTS TO THE FOREIGN MILITARY ASSISTANCE ACT WILL PROBABLY PROSPER.

E) PRIVATE BANKS WILL PROBABLY EXTEND $150 MILLION IN SHORT TO MEDIUM TERM CREDITS.

4. I KNOW WE CAN EXPECT THE USUAL FINE COUNTRY TEAM EFFORT. WHAT WE ARE LOOKING FOR ARE YOUR EDUCATED SPECULATIONS. I WANT FRANK VIEWS ON WHAT THESE KINDS OF CHANGES MIGHT MEAN AND WHAT OPTIONS WOULD BE AVAIL-ABLE TO THE U.S. WHERE AND IF OPINIONS DIFFER, PLEASE LET THEM SHOW. KISSINGER

SECRET

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE022684
Document Source: CORE
Document Unique ID: 00
Drafter: RSDRISCOLL/WLOWENTHAL:MG
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760034-1042
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976017/aaaaagfg.tel
Line Count: 84
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2004 by BoyleJA>; APPROVED <12 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POLITICAL IMPLICATIONS OF A WORSENING ECONOMIC SITUATION
TAGS: ECON, EFIN, EAID, PINS, CI
To: SANTIAGO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006